

ADMINISTRATION AND FINANCE COMMITTEE

DATE: February 12, 2008

CALLED TO ORDER: 5:31 p.m.

ADJOURNED: 6:30 p.m.

ATTENDANCE

Attending Members

Marilyn Pfisterer, Chair
Paul Bateman
Susie Day
Barbara Malone
Jackie Nytes
Joanne Sanders
Ryan Vaughn

Absent Members

AGENDA

PROPOSAL NO. 12, 2008 - appoints Jennifer Ruby to the Information Technology Board
"Do Pass" Vote 4-2-1

PROPOSAL NO. 13, 2008 - appoints Susan Swayze to the Audit Committee
"Do Pass" Vote 7-0

PROPOSAL NO. 55, 2008 - appoints Dorothy Hancock to the City-County Administrative Board
"Do Pass" Vote 7-0

PROPOSAL NO. 56, 2008 - appropriates \$1,850,000 in the 2008 Budget of the Marion County Assessor (County General Fund) to cover the cost of contracting for the 2007 reassessment of commercial and industrial property as ordered by the Indiana Department of Local Government Finance
"Do Pass" Vote 7-0

ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Tuesday, February 12, 2008. Chair Marilyn Pfisterer called the meeting to order at 5:31 p.m. with the following members present: Paul Bateman, Susie Day, Barbara Malone, Jackie Nytes, Joanne Sanders, and Ryan Vaughn. Representing Council staff was Robert Elrod, General Counsel.

Chair Pfisterer stated that she would like to reiterate her invitation from the last Administration and Finance Committee meeting inviting the public to attend all of the committee meetings, as they are where the business of the city is discussed and the public has the opportunity to provide input.

PROPOSAL NO. 12, 2008 - appoints Jennifer Ruby to the Information Technology Board

Ms. Ruby said that she is willing to serve on the Information Technology (IT) Board, and currently serves on a variety of volunteer boards. She said that now is a good time for her to step off some of the other boards if necessary in order to effectively serve the IT Board. Ms. Ruby said that IT has been an undercurrent of many of her past positions, as she worked in the Information Services Agency (ISA) from 2000 to the end of 2004. Therefore, she is fairly familiar with how the city and county agencies are managed and has some ideas for possible improvements.

Councillor Sanders asked if Ms. Ruby is a Council appointment. Chair Pfisterer answered in the affirmative. Councillor Sanders said that in reading the ordinance, she has a concern relative to the definitions described that are required for the Council appointment. Which indicates that the position requires Senior Management experience that includes holding or having held line authority over the Manager of a Data Processing Area of an organization in Marion County that is comparable to the City County installation. Councillor Sanders said that although she appreciates all of Ms. Ruby's experience, and she realizes that Ms. Ruby was employed with the City for a while, it is unfortunate that the qualification as described is not met by Ms. Ruby.

Chair Pfisterer asked Ms. Ruby to speak to Councillor Sanders' concern. Ms. Ruby said that she was a Senior Manager in ISA, and she directed the work of the contractor of that agency. In addition, she said that she worked with other agency managers in order to implement agency-specific projects. Ms. Ruby said that she currently owns her own law firm, of which she directs the IT services. Through her law firm, she has a contracting company that performs some of the IT services, as well as an independent contractor who works for her. Chair Sanders said that she appreciates Ms. Ruby's experience; however, the ordinance clearly requires line authority over the Manager of a Data Processing Area of an organization that is comparable to the size of the city. She said that she is sure that Ms. Ruby has a worthy legal firm, but she would argue that it would not be comparable to the size of the city. Chair Pfisterer asked Ms. Ruby if she was in management with the city. Ms. Ruby answered in the affirmative. Chair Pfisterer said that this would seem to fulfill that particular requirement. Councillor Sanders said that the ordinance is very specific in terms of the authority. Councillor Nytes commented that she believes a good example of what is intended by the definition as written in the ordinance would be someone like the gentleman who has served on the IT Board for the last several years who is an IT Director at Eli Lilly. Chair Pfisterer asked if all of the members of the Board meet this specific criteria. Councillor Sanders answered that the Mayor's appointment and the Council's appointment are the two appointments that are

required to meet that criteria. The other members of the Board are city officers and constitutional office holders, which is why it is imperative that the Mayor's and Council's appointments have this type of in-depth experience. Councillor Sanders said that a corporation comparable to Eli Lilly or in-town Universities would have equivalent-sized Information Services Agencies, and individuals who are managers over the managers of Data Processing would be the caliber of individual to which this refers. Councillor Sanders said that her concern is not a reflection of Ms. Ruby as a person or of her experience; she is simply referring to the ordinance requirements.

Councillor Vaughn asked Ms. Ruby what her title was when she worked for the city. Ms. Ruby answered that she was the Senior Information Technology Planner for ISA. Councillor Vaughn commented that there is no agency more similar to the City's agency than the City's agency, and Ms. Ruby's title was Senior Manager. Therefore, he feels that this experience qualifies Ms. Ruby for the appointment. Councillor Sanders said that Ms. Ruby may have managed a particular account, but she did not manage the entire agency. Councillor Vaughn said that he speaks in favor of the proposal, and he feels that the technical argument is not relevant with respect to Ms. Ruby's qualifications.

Chair Pfisterer asked Mr. Elrod if he had any comments regarding this issue. Mr. Elrod answered that he believes that it is the Committee's decision as to whether they feel that the applicant meets the qualifications.

Councillor Nytes said that she suspects that the reason for the language in the statute is because of the desire for the Council to be able to bring the expertise and experiences of other large entities that are dealing with IT issues on an enterprise-wide basis to the IT Board. While there may have been some experience within the City's own technology enterprise, the fact is that the statute was seeking to bring a broader experience from the two key board positions. It was an effort to understand how other big agencies handle their issues.

Councillor Nytes moved, seconded by Councillor Sanders, to "Table" Proposal No. 12, 2008 to afford the Committee the opportunity to talk further with other members of the IT Board or to more clearly understand the qualifications. Chair Pfisterer asked Ms. Ruby if she would mind the Committee postponing the proposal until a later date. Councillor Sanders stated as a point of order that a motion to "Table" does not allow for further discussion. Chair Pfisterer said that she understands that, but she wants to make sure that it would not be a hardship for Ms. Ruby if the Committee postponed the proposal. Ms. Ruby answered that it would not be a problem. The motion failed by a vote of 2-5, with Councillors Pfisterer, Bateman, Day, Malone, and Vaughn casting the negative votes.

Councillor Vaughn asked Ms. Ruby if she feels that her experience will allow her to meet the requirements of the ordinance. Ms. Ruby answered in the affirmative. She stated that she has attended a variety of conferences that the IT Board has not attended in the past, she has sat on the American Bar Association's (ABA) Science and Technology section and participated in their seminars of her own accord, and she has several IT clients. She feels that this experience will allow her to provide a different perspective to the IT Board that would encompass larger organizations.

Councillor Vaughn moved, seconded by Councillor Day, to forward Proposal No. 12, 2008 to the full Council with a “Do Pass” recommendation. The motion carried by a vote of 4-2-1, with Councillors Sanders and Nytes casting the negative votes and Councillor Bateman abstaining.

PROPOSAL NO. 13, 2008 - appoints Susan Swayze to the Audit Committee

Ms. Swayze said that she is very willing to serve on the Audit Committee, and she has served with several of the Committee members over the years on a variety of city issues and projects. She said that she looks forward to returning to serve the city. She said that she was Vice President of Business Advocacy with the Greater Indianapolis Chamber of Commerce for almost ten years, and was the Lead Staff for in-depth review of the finances, revenue, expenditures, and fiscal forecasting for the City of Indianapolis and Marion County during her last three or four years there. She said that program was called Invest in Indianapolis, through which a two-volume report was released. She worked with some of the Councillors, Jim Steele, and the Peterson Administration. Ms. Swayze said that she is currently pursuing other career paths, but she will enjoy the opportunity to participate with the Council and the City again.

Councillor Vaughn moved, seconded by Councillor Malone, to forward Proposal No. 13, 2008 to the full Council with a “Do Pass” recommendation. The motion carried by a vote of 7-0.

PROPOSAL NO. 55, 2008 - appoints Dorothy Hancock to the City-County Administrative Board

Ms. Hancock said that she is very interested and willing to serve on the Administrative Board. She said that her love is government, but she has been out of it for quite a while now. She served eight years as the Clerk/Treasurer of the City of Carmel, and four years as the Mayor of Carmel. Ms. Hancock said that she now owns her own business, in which she performs Administrative Services; has been the Executive Director of the Indiana Cable Television Telecommunications Association; and has served in many capacities in and with government.

Councillor Nytes commented that from what she remembers of Ms. Hancock’s experience, she is certainly well-qualified for this appointment. She said that she had the opportunity to work with Ms. Hancock in Hamilton County a few years ago. She believes that Ms. Hancock is very familiar with the operation of local government, and she appreciates her willingness to serve.

Councillor Sanders asked if anyone knows the requirements of this particular appointment. Chair Pfisterer answered that she does not have the information available, but she believes Ms. Hancock is well-qualified. Mr. Elrod said that there are no special requirements.

Councillor Day moved, seconded by Councillor Vaughn, to forward Proposal No. 55, 2008 to the full Council with a “Do Pass” recommendation. The motion carried by a vote of 7-0.

Chair Pfisterer stated that the Council always appreciates the willingness of citizens to serve.

PROPOSAL NO. 56, 2008 - appropriates \$1,850,000 in the 2008 Budget of the Marion County Assessor (County General Fund) to cover the cost of contracting for the 2007 reassessment of

commercial and industrial property as ordered by the Indiana Department of Local Government Finance

Greg Bowes, Marion County Assessor, distributed a handout (attached as Exhibit A) and discussed the following key points:

- Reassessment order
 - The Department of Local Government Finance (DLGF) ordered Marion County to reassess all of its real property on August 1, 2007.
 - This was in response to the substantial increases that taxpayers saw when 2006 tax bills that are payable in 2007 were sent out.
 - The Assessor's office was able to meet the cost limitation of \$3 million.
 - Residential properties were allowed to be assessed internally through the County and Township Assessors' offices.
- Reassessment
 - The Assessor's office was ordered to complete the reassessment by February 1, 2008, but information was presented to the DLGF to ask for an extension.
 - The Assessor's office hopes to have all of the reassessment values completed by February 15, 2008.
 - The Assessor's office is not required to perform reassessments and physical inspections on each parcel individually.
- Selection of Vendor
 - The "Professional Appraiser" is a specific designation granted by the DLGF.
 - There is an available list of "Professional Appraisers" that are already certified in Indiana by the DLGF.
 - All "Professional Appraisers" on the list were notified as part of the selection process.
 - Request for Expressions of Interest was posted on the City's website and the DLGF website.
 - Only two proposals were received.
 - One proposal requested to complete work in a period of one year, which was unacceptable because the reassessment order requested that the work be completed in six months.
- Performance
 - Manatron, Inc. had to determine a "mass appraisal" valuation of each of the commercial and industrial properties.
 - One of the methods for assessing property is by using the replacement cost minus depreciation.
 - In order to use this method, a determination must be made as to what it would cost to replace a building.
 - The cost data that the Assessor's office uses that was given by the DLGF is using the costs that went into effect in 1999.
 - The order required the vendor to pick cost information that reflects the cost to replace a building as of January 1, 2005, which is the valuation date that the Assessor's office is required to use when assessing properties in 2006.

- Manatron, Inc. updated the cost tables so that the proper cost methodology could be used.
 - Information was taken out of the Assessor's aged computer system and converted to be used in a more modernized database and managed more easily in the short time frame allotted.
- Mr. Bowes stated that he used the wrong terminology for the division that Manatron, Inc. has arranged. They have divided Marion County into nine commercial "submarkets" and four industrial "submarkets."
 - This reflects that certain geographical areas can affect the value of a property.
 - Each submarket has been divided into tax neighborhoods.
 - A neighborhood in assessment practices is a way to lump properties into homogenous groups. (Example: group theatres with theatres)
 - Manatron, Inc. had to perform this task from scratch because the assessment methodology was changed in 2003 and the current method was not very effective in ensuring that like parcels were being fairly compared.
- The statistical measures for the analysis are dictated by the DLGF, and DLGF rules and statutes have also adopted the standards from the International Association of Assessing Officers (IAAO).
 - Manatron, Inc. is taking regression analysis and performing modeling to help the Assessors choose the factors that should be used to determine the value of different properties.
- Once the statistics are compared to the new cost data that has been implemented, adjustments must be made to ensure accuracy and uniformity.
- 2008 Budget Process
 - Mr. Bowes said that he feels that the reassessment was appropriately forced on the Assessors by state government, as there was much to correct in the last year's assessments.
 - Mr. Bowes consulted with the Office of Finance and Management (OFM) and Council leadership during the reassessment process and disclosed the cost of the vendor after negotiations.
 - A decision was made during the presentation of the County Assessor's budget for 2008 that stated that the vendor expense would not be involved due to the late announcement of the DLGF order and the fact that the actual vendor cost had not yet been negotiated.
 - The expense was not included in any of the assessors' budgets.
 - Appeals were based on the previous 2006 assessments that have now been nullified and will hopefully be corrected with the reassessment.
 - Mr. Bowes said that in 2003, the first reassessment that took into account market value resulted in nearly 11,000 appeals, and he is predicting that the number will be nearly that for this reassessment.
 - His office currently only has the capacity to handle the average number of appeals, which is about 1,500.
 - He anticipates that he will be asking the Council for more help later in the year to address the increased number of appeals.
 - Hopefully the reassessments will eliminate a majority of the appeals.

- State law requires that the County pay for the reassessment whether or not there is an appropriation awarded by the fiscal body. For example, if the proposal is rejected, the County Assessor may still turn the invoice in to the County Auditor, and payment must be rendered.

Chair Pfisterer asked about the positive implications of the reassessment. Mr. Bowes answered that he believes that homeowners will experience some relief as a result of the reassessment, but the amount of relief is unknown. It depends on how much additional assessed value is obtained from commercial and industrial parcels. Mr. Bowes also added that he believes that taxpayers, both residential and commercial, will estimate that everyone is seemingly paying their fair share of the burden of providing for local government services.

Councillor Sanders asked if the commercial assessment was originally increased by two percent. Mr. Bowes answered that he is unsure, but the Governor and the DLGF were concerned that only 28% of all of the different commercial and industrial parcels had any change at all, which implicated that they were possibly not examined for any changes. Mr. Bowes said that he is confident, however, that changes will be made on more than 72% of the parcels by the time the reassessments are complete. Councillor Sanders said that she is concerned with the process of “mass appraisal”, but she understands that there is no time for all of the facilities to be physically reassessed. She asked if there was some type of random identification or inspection of given sites to set perimeters for like buildings or if no inspections were performed at all. Mr. Bowes answered that the basics of assessment involves a physical inspection on each new building as it is constructed, which includes taking measurements, recording the building’s attributes, and inputting the information into the property system. Councillor Sanders asked if the information in the property system was in the system before the last assessment. Mr. Bowes answered in the affirmative, and stated that the size and measurement of each building is in the system. Mr. Bowes added that the code also requires that a building permit be obtained for any new construction. The building permit is copied to the township assessor, which should prompt a new inspection of the premises. Councillor Sanders asked if any spot check inspections were completed as a part of the reassessment. Mr. Bowes answered that the vendor completed drive-by surveys before they presented their bid, and physical inspections may have been done if the statistical measures and current building data were not accurate. He stated that other methods for assessing property without going to the site are the original building data, aerial photography, and pictometry that allows a building to be viewed at all angles. He added that a physical inspection is only necessary when the replacement cost methodology is being used. The other two methods are sales comparison and income and expense valuation, and the assessors rely more on sales comparison. Everyone that sells a property must file a Sales Disclosure stating the price that the property was sold for and identifying the parcel number. Mr. Bowes said that approximately 28,000 sales occur each year in Marion County, which provides a large statistical sample. Councillor Sanders asked if there are 28,000 commercial sales that occur each year. Mr. Bowes answered in the negative, and stated that this number represents all parcel sales. Councillor Sanders said that she is concerned with commercial sales because they could be ten to fifteen years old. Mr. Bowes said that when the sales analysis is being used, the assessors are required to look at the sales for a particular year and estimate a value for those particular buildings. He said that for the statistical analysis for this assessment year, they used the sales from 2004 and 2005. He does not remember the exact number of sales, but he believes that there were more than 2,000. There were less than 2,000 by the time

they were reviewed. He said that they also use other measures to determine if the samples are adequate for the statistics analysis. If a valid statistical sample is unavailable, additional years may be examined.

Councillor Sanders asked if the state provided any funding to help with the reassessment that they ordered. Mr. Bowes answered in the negative, and stated that there was discussion as to whether political pressure could be put on the state to encourage financial assistance, which may have been part of the reason that the appropriation was not included in the 2008 budget request.

Councillor Vaughn asked Councillor Sanders why the Assessor's office was restricted to not exceed \$3 million for the reassessments. Councillor Sanders answered that a maximum amount was established because originally the cost of the reassessments was unknown. Since the City was short on revenues for 2007, it was suggested that it would be beneficial to try to find other ways to fund the reassessment and hope that the state would provide some assistance. Mr. Bowes stated that during the negotiations with Manatron, Inc., it was agreed upon that there would be no payments made in 2007. He added that the whole reassessment process triggered a shortfall in revenues because taxpayers were instructed to pay the 2005 amount. Therefore, the budgeted 2007 amount was not being collected.

Councillor Nytes stated that she does not feel that "mass appraisal" is the most fair and equitable way to assure that all taxpayers are being assessed accurately. She said that there are many other states that do not use the "mass appraisal" approach. She said that it appears that it cost approximately \$800 for each property to be assessed through the reassessment. She asked if Mr. Bowes could track the number of appeals that actually have to be processed and look at some of the neighboring states that do not perform "mass appraisals" to determine if they experience the same amount of appeals. Councillor Nytes said that she would be interested to know what the amount would be to do individual appraisals for residential properties. Mr. Bowes said that he believes that the average cost of the appraisals was about \$80 per parcel for this particular reassessment contract. He said that during general assessments, not under the time pressure that the County experienced, mass appraisals typically cost about \$30 per year per parcel for an assessment office to keep track of each parcel. He said that one calculation that can be used in terms of residential parcels is to look at someone getting their house appraised to refinance their home. The cost may range from \$270 to \$350. If one assumes that each costs \$300, and then multiplies that by the 312,697 residential parcels in Marion County, it would amount to over \$93 million to perform individual assessments. Additionally, to calculate a cost for the amount of time it would take an employee of the Assessor's office to do the assessments should also be considered. If it took an employee an hour to do each parcel, the cost would be well over \$4 million just for residential properties. Mr. Bowes said that he believes that it is too expensive for local government to perform repetitive physical inspections on each property, and assessors should be able to rely on the initial data collected, data gathered from building permits, and statistical analyses. He said that the difficulty lies in how much time, money and resources the County wants to spend to get as accurate as possible, and if the community is willing to double the cost to obtain a small amount of additional accuracy.

Chair Pfisterer asked if the County is able to keep the database and work product that the vendor completed. Mr. Bowes answered in the affirmative, and stated that the contract states that the data belongs to the County and not the vendor. However, he is unsure if the County will receive the

exact depth and detail of their data because of the differences between their computer system and the County's. Mr. Bowes said that the Council approved an expenditure of \$3.8 million last year to replace the old computer system with a new system. He said that they are in the conversion and testing process and trying to get the new system online as soon as possible. The new system will provide more detail and analysis capabilities once it is in place. Chair Pfisterer asked if the new system will enable the commercial and industrial assessments to be done in-house. Mr. Bowes answered in the affirmative. However, he believes that the County Assessor's office is the place to best do the commercial and industrial assessments. He stated that the nine commercial submarkets that the vendor created do not coincide with the township borders, and therefore would create difficulty for the township assessors to perform the assessments. He also stated that some of the township offices may not have the staff available to accurately perform the assessments.

Chair Pfisterer stated that the Assessors' 2008 budget was increased by \$1.65 million, and asked if any of that amount was intended to pay for the contract with Manatron, Inc. Mr. Bowes answered in the negative, and stated that the increase was to pay for additional, very skilled and competent assessing staff to help direct most of the residential reassessment. He said that he does not have the information available for all of the areas that the increase affected, but he does not believe that the entire amount was given. He said that the County Assessor's office is fully staffed for the first time in a long time. Chair Pfisterer said that her concern is that the appropriation being requested to pay for the contract is to be taken from the County General fund, which currently has a balance of approximately \$2.9 million. She said that she has been in touch with Jim Steele, Council Chief Financial Officer (CFO), and he recommends that the Council approve the appropriation.

Councillor Vaughn moved, seconded by Councillor Nytes, to forward Proposal No. 56, 2008 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 7-0.

Conclusion

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 6:30 p.m.

Respectfully submitted,

Marilyn Pfisterer, Chair
Administration and Finance Committee